



Fairfax County Internal Audit Office

**General District Court
Business Process Audit
Final Report**

November 2017

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Executive Summary

We performed a business process audit covering procurement, reconciliation, and personnel/payroll administration within the General District Court (GDC). The audit included review of procurement cards, FOCUS marketplace cards, purchase orders, non-purchase orders, open-ended purchase orders, monthly reconciliations, and verifying compliance with Personnel/Payroll Administration Policies and Procedures (PPAPP). The areas covered in PPAPP included time/attendance system and controls, attendance/absence reporting, employee clearance record processing, credit check requirements for positions of trust, and procedures for completing criminal background investigations for employment in sensitive positions.

We found that the department had well organized documentation on file and reconciliations were independently performed and were completed in a timely manner. However, we noted the following exceptions where compliance and controls needed to be strengthened:

- GDC did not have a list of positions of trust on file.
- Control weaknesses were noted in our review of time entry and approval where staff members were both recording and approving the same time entry transaction.
- Control weaknesses were noted in the process for completing the Employee Clearance Record Checklist.
- The Travel Authorization Form was not completed before the travel date for three of the non-local travel reimbursements tested. Additionally, in one of these instances the traveler stayed in a hotel that was \$50 above the General Services Administration (GSA) rate without obtaining prior approval of the additional costs.
- Three instances were noted where items requiring technical review were purchased on a county procurement card, circumventing the technical review process.
- Procurement card limits were found to be excessive, based on card usage.
- The procurement card internal control procedures in effect during the audit scope were not approved by the Department of Procurement and Material Management (DPMM).
- The Employee Acknowledgement Disclosure Form for three of the procurement card users tested was a GDC-specific form that only had the signature of the card user and did not include the Program Manager's signature nor the signature of the employee's supervisor. Additionally, two of these card users did not have a completed procurement card training certification test on file.

Scope and Objectives

This audit was performed as part of our fiscal year 2018 Annual Audit Plan and was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit objectives were to review the General District Court's compliance with county policies and procedures for purchasing processes, personnel/payroll administration, and financial reconciliation. We performed audit tests to determine internal controls were working as intended and transactions were reasonable and did not appear to be fraudulent.

The audit population included procurement card, FOCUS marketplace, purchase order, open-ended purchase order, and non-purchase order transactions that occurred during the period of May 2016, through April 2017. For that period, the department's purchases were \$73,180 for procurement cards, \$24,866 for FOCUS marketplace, \$146,050 for purchase orders, and \$628,199 for non-purchase order payments.

Methodology

Audit methodology included a review of the department's business process procedures with analysis of related internal controls. Our audit approach included an examination of expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county policies and procedures. Information was extracted from the FOCUS and PaymentNet systems for sampling and verification to source documentation during the audit.

Findings, Recommendations, and Management Response

1. Positions of Trust

GDC did not have a list of positions of trust on file indicating the positions within the agency that have significant fiscal or information security responsibility. PPAPP Memorandum No. 56, *Credit Check Requirements for Positions of Trust*, states: "Employees who occupy positions of trust are subject to a credit check. Credit checks will be completed upon initial hire and for promotions, transfers, or demotions to a position of trust and every four years thereafter. Positions of trust include all Director, Deputy/Assistant Director and Division Director Positions as well as positions identified by the department director as having significant fiscal or information security responsibility."

Additionally, PPAPP No. 56 requires that the department director or designee complete the Positions of Trust Delineation Form (Attachment A) to delineate the

positions in the department designated as positions of trust subject to the credit check requirement and retain in the department files.

Failure to maintain a list of Positions of Trust could hinder the performance of credit checks on employees who occupy positions of trust. It also increases the potential for abuse or fraud by staff who have access to sensitive/confidential financial information.

Recommendation: GDC should establish a list of the positions of trust within the agency and ensure credit checks are performed on new hires or staff promotions into positions of trust.

Management Response: GDC will review and update current positions of trust and will have those staff complete the Consumer Notification and Authorization for Release of Information forms to obtain a credit check. GDC will also update position descriptions as necessary to note positions of trust. Management anticipates completing these actions by November 21, 2017.

2. Time Entry and Approval Separation of Duties

Our audit noted control weakness in the GDC time entry and approval process. The audit population included 9,720 time entries and of those entries, there were 512 instances where time entries were initiated and approved by the same individual.

PPAPP Memorandum No. 8, *Time and Attendance System and Controls*, states: "A manager should not enter and approve hours for the same employee. If an employee is unable to enter or change time data, the department timekeeper or time administrator should assist with the data entry and the manager should approve the entries. If a manager enters or changes staff time, the time entry should be approved by the manager's supervisor or department time manager. If there is an urgent situation and it is not possible to have anyone other than the manager both enter and approve the time entry, DHR requires documentation of that action be kept at the department with a business justification as an exception." Memorandum No. 8 further states: "Under extenuating circumstances, a manager can update an employee's time 'on behalf of the employee' via Manager Self-Service (MSS). In these instances, the updated time entries should be approved by the manager's supervisor or the department time manager."

An adequate separation of duties in time entry and approval is vital in preventing erroneous or fraudulent time reporting.

Recommendation: GDC should implement adequate internal controls to prevent staff from initiating and then approving time for other GDC employees. The initiator and approver of each time entry should be different.

Management Response: Internal controls were added to the process to ensure the initiator of a time entry does not approve the time entry.

Note: *Management states that these actions have been implemented. IAO will*

perform a follow-up audit on this item after November 21, 2017.

3. Employee Clearance Record Checklist

Our audit noted several control weaknesses in the process for completing the Employee Clearance Record Checklist. Based on interviews with GDC staff, the checklist is only completed for employees leaving county employment, not for employees transferring to a different agency within the county. Additionally, the responsibility for completing the checklist was not included in the job description of the staff who is/are responsible for completing this function. In our testing of the Employee Clearance Record Checklist process, it was noted that GDC did complete a GDC-specific exit form, similar to the Employee Clearance Record Checklist, for all terminations tested. However, the forms used by GDC did not contain all aspects of the form attached to PPAPP Memorandum No. 33, *Employee Clearance Record*. Examples of the aspects missing from the GDC-specific form include items such as: Signature authority cancelled; Department Information Protection Coordinator notified to cancel computer systems access; and Access codes/passwords for all county issued electronic devices and desktop telephones are provided and equipment is returned.

PPAPP Memorandum No. 33 states: “An employee transferring from one department to another or leaving County service is required to meet with a person designated by the department head to complete the Employee Clearance Record Checklist.” Memorandum No. 33 further states: “Responsibility for completing Employee Clearance Record Checklists must be included in the job description(s) for staff assigned to this function.”

Failure to maintain adequate controls over the process for completing Employee Clearance Record Checklists increases the risk of a dispute between the county and prior employees, should an issue arise at a later date.

Recommendation: GDC should update the job description of all employees who are responsible for ensuring terminating employees complete the Employee Clearance Record Checklist. The checklist attached to Memorandum No. 33 should be completed for all employees terminating employment with the GDC. If GDC determines additional GDC-specific exit forms are needed, those may be completed and retained on file in addition to the Employee Clearance Record Checklist attached to Memorandum No. 33.

Management Response: The job description of the responsible person in the Court Services Division (CSD) has been updated and the job description of the responsible person in the Clerk’s Office will be updated. Management anticipates completing this action by November 21, 2017.

4. Non-Local Travel

Of the eight non-local travel reimbursements tested, three did not have Travel Authorization Forms completed before the travel date. Additionally, for one of these

instances the traveler stayed in a hotel room that was \$50 above the GSA rate and did not have prior approval to do so.

Procedural Memorandum (PM) 06-03, *Fairfax County Travel Policies and Procedures*, states: "A completed Travel Authorization Form is required for all non-local and overnight travel including trips where the procurement card is used for any or all expenses." Additional guidance provided in the Travel Tips and Reminders document on the Department of Finance website states: "Before you purchase any tickets or pay for registration you **MUST** complete a Travel Authorization Form and have department approval. Items purchased without prior approval may not be reimbursed." PM 06-03 also provides guidance that "Travelers are required to receive advance authorization to exceed the federal lodging per diem rate limits. The department head may provide such authorization for amounts up to 150 percent of the federal rate limit. Such exceptions may be authorized only when circumstances warrant it, and an explanation of the circumstances justifying the exception, signed by the department head, must be attached to the voucher."

Failure to complete a Travel Authorization Form or obtain approval for lodging in excess of the GSA rate prior to incurring expenses for non-local or overnight travel increases the risk of inappropriate or unauthorized travel expenses and incurring expenses that may not be reimbursed.

Recommendation: GDC should adhere to the requirements of PM 06-03 and ensure a Travel Authorization Form is completed and approved before any non-local or overnight travel arrangements are made. If lodging in excess of the GSA rate is necessary, documentation of prior approval by the department head must be kept on file with the supporting documentation for the transaction.

Management Response: Travel processors must have all travel information to complete the Travel Authorization Form in advance of making reservations. Credit card authorization does not substitute for approval on Travel Authorization Form. Staff will be notified of requirement to produce documentation and p-card approvers will not approve purchases for travel without the Travel Authorization Form being authorized first. Management anticipates completing these actions by November 21, 2017.

5. Technical Review

Three purchases requiring technical review were completed using the agency procurement card without going through the proper technical review from the Department of Information Technology (DIT). The technical items purchased included ten laser printers and two copies of Microsoft Office Professional Plus.

PM 12-04, *Technical Review of Purchase Requisitions*, states that: "Unless formally exempted by the responsible technical review agency, no agency may purchase an item or service requiring technical review without first completing the review process. For this reason items and services requiring technical review may not be purchased using a procurement card."

The purchase of technical equipment on the county procurement card circumvents the technical review process. Purchasing technical items on the p-card increases the risk of overpayment for goods, purchasing items that are incompatible with the county's systems or not compliant with the county's standards, and purchasing from a vendor that does not offer technical support.

Recommendation: GDC should create purchase orders in FOCUS to procure equipment requiring technical review, as required by PM 12-04 and in accordance with PM 12-04m, *Technical Review Category Matrix*. If a waiver of technical review is granted by a technical review agency, documentation of the exemption should be maintained on file.

Management Response: GDC will no longer rely on the Court Department of Information Technology (CDIT) to review technical purchases. GDC will instead purchase technical equipment through purchase orders or if using the p-card, will seek tech review from the County Department of Information Technology (DIT) employee specified on the Technical Review Matrix.

The tech review approval must be presented to the p-card purchasing approver at the time the purchase is requested. Documentation will be kept on file with the purchase. The p-card reconciler will also look for tech review during the weekly p-card reconciliation.

Note: *Management states that these actions have been implemented. IAO will perform a follow-up audit on this item after November 21, 2017.*

6. Procurement Card Limits

A credit limit analysis was performed on all GDC procurement cards. It was initially noted that six of the twelve accounts did not have any purchases during the audit scope. Additionally, two more accounts had minimal usage compared to the available limit on the cards.

It was discovered that GDC requested a new set of cards but did not request the old card accounts be closed and did not take steps to close the old card accounts until the audit made note of this issue. During the audit, GDC requested the six old accounts be closed and also reduced the card limit on two of the accounts that remain open.

Procurement Technical Bulletin (PTB) 12-1009, *Use of the County Procurement Card*, states: "P-card limits provide an important safeguard against fraud and misuse. It is important that p-card limits be set as close as possible to anticipated use."

Failure to set card limits at reasonable levels increases risk of fraud and misuse of the county procurement card.

Recommendation: GDC should review card usage and card limits and reduce limits that are well in excess of card usage. Unused accounts should be closed

Note: During the audit, GDC closed the six unused card accounts and reduced the limits of open accounts to acceptable levels. No management response is necessary for this item.

7. Internal Control Procedures

The GDC's procurement card internal control procedures (ICP) in effect during the audit scope were not approved by DPMM. GDC updated their procedures in 2016 but the updates were not forwarded to DPMM for approval.

PTB 12-1009 states: "The p-card program manager must submit the ICP (both new and revised versions) to the DPMM Administrator for review and approval. The DPMM Administrator can assist departments with the development of new and/or revised ICPs."

Recommendation: GDC should submit their revised ICP to DPMM for approval and ensure any future updates are submitted for approval.

Note: During the audit, GDC submitted their updated ICP to DPMM and the procedures were approved. No management response is necessary for this item.

8. Employee Acknowledgement Disclosure Form & P-Card Certification Test

Of the five procurement card users tested, two did not have a completed procurement card training certification test on file. Additionally, three of the card users tested had antiquated, GDC-specific, Employee Acknowledgement Disclosure (EAD) Forms on file that did not have an area for the card user's supervisor and the procurement card program manager to sign; the forms were only signed by the employee.

According to PTB 12-1009, card users who sign an EAD form subsequent to the May 2007 implementation of the online p-card training program are required to complete the training and pass the certification test, which is to be maintained on file with the employees EAD form. It is also a best-practice to use the EAD form provided by DPMM as Attachment A to PTB 12-1009.

Control weaknesses in the procurement card training process and inadequacy in the EAD forms could lead to misuse of the agency procurement cards.

Recommendation: GDC should ensure all card users who completed an EAD form after May 2007 complete the procurement card training program and certification test. This test should be maintained on file with the card users' EAD form. GDC should also update any antiquated EAD forms with the form provided by DPMM as Attachment A to PTB 12-1009. Any agency-specific updates to this form should only include additions to the form and should not remove any aspect of the form developed by DPMM.

Management Response: All EAD forms and training tests were completed.

Note: *Management states that these actions have been implemented. IAO will perform a follow-up audit on this item after November 21, 2017.*